

1-1-1917

Pace Student, vol.2 no. 9, August, 1917

Pace & Pace

Follow this and additional works at: https://egrove.olemiss.edu/acct_pace



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Pace & Pace, "Pace Student, vol.2 no. 9, August, 1917" (1917). *The Pace Student*. 24.
https://egrove.olemiss.edu/acct_pace/24

This Book is brought to you for free and open access by the Accounting Archive at eGrove. It has been accepted for inclusion in The Pace Student by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

The PACE STUDENT

Vol. II

New York, August, 1917

No. 9



CONCERNING the recent New York state military census, Dr. Frank Crane remarked that the newspapers gave more space to the less than a score who did not register than to the ten million who did. This accords with the saying of Chesterton, that the complete picture newspapers give of life is, of necessity, fallacious; they can represent only that which is unusual.

Accountancy studies and Law studies are pervaded by the same disproportionate attention to the short-comings of the minority of humanity. Auditing can be learned only by studying the cunning trickery of defaulting employees and of defrauding employers. Law students must read case after case involving violations of law, abuse of trust, infidelity of partners, of directors, of officers, and human malfeasance in business transactions. If a keen sense of proportion is not maintained, students are likely to reach the conclusion that humanity is as bad as humanity is painted.

It is not a question of getting everything into the picture, but a question of emphasis. To serve their fundamental purpose, these studies must unduly emphasize that which is not ordinary. The picture of life which they present must be the reverse of life as life is.

If the student is to have a true perspective of humanity, he must occasionally look at the other side—the larger side. Let him read the biographies of men who are doing the big things

toward making the world brighter and better; let him familiarize himself with the events that disclose the favorable tendencies in the development of the human race. Unless this be done, the value of his technical training may be negated by his unfounded loss of faith in humanity.

INTENSIVENESS of Balance Sheet audits has been a frequent subject of discussion among accountants in public practice. Various opinions

Balance Sheet Audits

have been expressed as to the extent to which the items appearing on a Balance Sheet should be verified. A recent publication of the Federal Reserve Board would tend to make the practice of accounting, as regards Balance Sheet audits, more uniform. This publication in pamphlet form, is entitled "Uniform Accounting," and in twenty-five pages presents a concise outline of the several steps to be taken in a Balance Sheet audit.

The pamphlet is the result of recommendations submitted by the American Institute of Accountants, and approved by the Federal Reserve Board in conjunction with the Federal Trade Commis-

sion. For the student it contains an excellent view on the several phases of a Balance Sheet audit.

A letter from the Federal Reserve Board to The Pace Student states that this pamphlet has been very generally issued, and that only a limited supply is now available. Those interested may still secure copies, however, by forwarding the nominal sum of five cents to the Federal Reserve Board, Washington, D. C.

Intake or Output?

WHAT can you *get*? *Get*, do you say? As to position, as to income, as to pleasant hours of work, as to opportunities for advancement, do you mean? It all depends, young fellow, on what you can *give*. *Give*, not *get*, is the word for you to think about first. *Getting* is the result of *giving*. What can you *give* in loyalty, in industry, in ability, in constructive suggestions, in coöperative effort, in capacity for growth and the assumption of responsibility? Answer that question to the satisfaction of those that employ you, and forget the *getting* part of your program. *Give* and you will *get*.

RECENT scientific investigations in munitions plants disclosed that the fatigue of workmen decreased the volume of productivity and increased the number of errors. Periods of rest were instituted. Men on piece work did not want to stop for the rest periods. They were compelled to, and careful records showed increased output.

The Army and the Navy afford excellent examples of the relation between efficiency and the comfort, health, and contentment of employees. Competent Army officers must constantly give attention to the minutest details. Not infrequently they must personally see that men, completely tired out after a day's marching, follow the fundamental rules of hygiene.

When the new Navy building was constructed at Washington, naval surgeons had charge of the sanitary arrangements. Among their duties was the selection of the color of the paint on the walls, and they adopted a color which would at once diffuse the light and be restful to the eye.

As careful planning did not characterize the selection of floor covering for a bank in Pittsburgh. This bank covered the floor with rubber matting. As in most banks, a number of employees stood all day. Soon after the covering was put down there was a noticeable lack of energy, and a run-down in the efficiency of the men. Investigation disclosed that it was caused by the rubber matting. Accordingly the floor covering, which had cost a neat sum, was removed.

Material surroundings may aid or deter effective labor management. Seeming trifles turn the scale one way or the other. Heat, light, ventilation, and sanitation deserve a large share of attention. Unless these conform to the basic rules of health, efforts to stimulate human production may fail.

IN a recent address on the Swiss system of military training, Dr. Charles W. Eliot told the Economic Club, of Boston, the following story of an interview between the Kaiser and a Swiss general:

The Kaiser attended a great shooting festival in Switzerland. He asked the Swiss general how many men Switzerland could put into the field within a week. The general replied, "Five hundred thousand men." The Emperor said, "What if I could come against you with a million men?" "In that case, Your Majesty, we should all have to shoot twice," replied the general.

Dr. Eliot told the story to emphasize the efficiency of the Swiss system. This system of military training starts with the school. The entire

male population must go through a course of physical training while attending Swiss schools. This physical training does not involve any military training. The Federal Government supervises this training by means of inspectors.

In addition to the physical training, the students engage in target practice. Not until they have had this training in both physical culture and target practice is field instruction given.

Each young man in his twentieth year serves in the field from sixty-two to ninety-two days, depending upon the branch of the service. Between his twenty-first and twenty-eighth year he serves a period of thirteen days, seven times. Each Swiss soldier between twenty-two and forty serves in the field one week every second year. Between forty and forty-eight the Swiss soldier is called to the colors twice, for one week.

Dr. Eliot claims that the Swiss system should be adopted by the United States. It would seem that after the present emergency some means should be adopted to insure permanent preparedness, and that a system similar to that used in Switzerland would probably serve the purpose.

FIGURES presented at the thirty-sixth annual general meeting of the Institute of Chartered Accountants (Great Britain) show a membership on the first of January, 1917, of 4,938. The patriotism of members was evident from the fact that 1,076 members and 1,421 articled clerks had joined the colors. During the year, 1916, thirty-one members were killed in action. Decorations were awarded to twenty-three members and nineteen articled clerks for meritorious service in the war.

On account of war conditions, there was a falling off of sixty-three in the members of the Institute who are in practice, and a falling off of one hundred in the number of articled clerks registered during 1916.

KEEPING certain types of patriotic men out of the firing line has been one of the hardest problems with which England and France have had to cope during the present war. The types of men referred to are men who, by reason of special training or occupation, were able to render a more useful service to their country away from the trenches than in them—for example, machinists, accountants, electricians, and carpenters. It is well for Americans to bear this point in mind—that service at the front, while imperative for certain units, is made resultful only in proportion as those who provide the equipment and aid in the organization of resources do their work well.

J. C.
Penney

ONE of the most amazing monuments to American pluck, foresight, and capacity to create business opportunities, is found in the J. C. Penney Company, Inc., which owns and operates a chain of 175 retail dry-goods and clothing houses in towns and small cities throughout the Middle and Far West. These stores are known as the "J. C. Penney Golden Rule Stores."

J. C. Penney, a man in his forties to-day, is the chairman of the board of directors of this Aladdin's Lamp enterprise, which does a yearly business of \$12,000,000, and which is still growing with almost inconceivable rapidity. Eighteen years ago, Mr. Penney, then a stripling of twenty-three, was a clerk in a small dry-goods store in Wyoming, getting \$12 a week. In his personal development is wrapped up the development of a big idea; and it is with this idea—the history and the growth of it—that this article must largely concern itself, for Mr. Penney is a man who shrinks from personal publicity.

"What we have accomplished [we, mind you, always, not I] has been due to the most intensive coöperation on the part of everybody connected with every one of our stores," said Mr. Penney. "The plans of management have been worked out with the purpose of making coöperation worth while for the individual. There has been no overlordship of the dictatorial kind. Every one connected with our organization feels himself, not an employee, but a member of it; and indeed he is, for our plans of operation insist that every man, before he is employed, be of partnership timber, and that, as soon as he has proved his worth, he be made a partner, paying for his partnership interest out of the earnings of the store or stores which he has helped to build up."

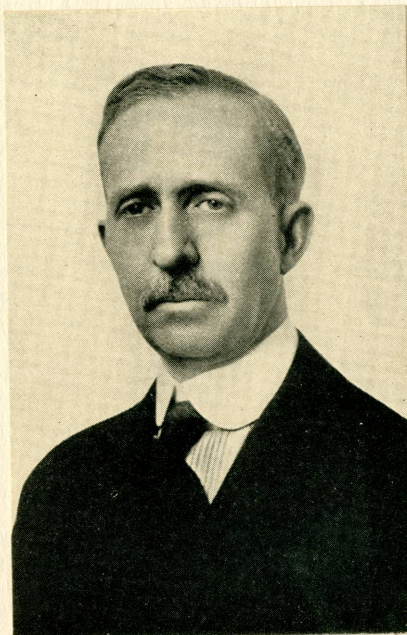
Here is the big idea—the partnership idea. No man is hired unless he has in him the possibilities of some day becoming the manager of a store. As soon as a store has proved profitable and accumulated a sufficient cash surplus, the manager of that store opens a branch store in another town, putting in as manager one of his own men who has proved his worth as a salesman. This new manager, if he makes good, becomes a partner in the new store and proceeds to do as the first manager did—open additional stores and put them in charge of men whom he has trained as managers. In other words, each partner (no store can have more than three partners) starts new chains of his own as op-

The PACE STUDENT

August, 1917

portunity warrants, the earlier partners being naturally interested in more stores than are the younger men. Incentive is therefore given to every manager to be on the lookout for new partners and new stores. Hence, the motive for new business and expansion, coming from within the organization itself, makes the chain-method of development become stronger in proportion as it becomes larger.

The Penney Organization does not believe that the large cities offer the



J. C. Penney

Chairman, Board of Directors

J. C. Penney Co., Inc.

only field for the chain store. Consequently, the stores of the chain are found in such relatively small places as Walla Walla, Washington; Albuquerque, New Mexico; and Fargo, North Dakota. Neither is the organization so particular about location as are many of the other so-called chain stores. If the rent is exorbitant, the Organization takes the next best choice; and the people patronize the store just the same, largely, no doubt, because prices are never marked down or up in the J. C. Penney Golden Rule Stores.

The stores handle only staple goods. There are no flamboyant sales, no flamboyant bargain days. The best possible values at the lowest possible prices, day in and day

out, is the undeviating motto of the Penney Organization. Prices that return a fair profit are kept down largely because of centralization and conservatism in buying, which is always for cash. Few models of garments are ordered for a store in any one town—only as many as the store knows can be sold immediately. Only small store-stocks are carried, and these are turned over five or six times a year. It is easy to see that the individual dealer, buying and selling on credit and maintaining an expensive delivery system, has a hard time competing with any one of the J. C. Penney Golden Rule Stores, which buy and sell for cash only, do not deliver goods, and are constantly turning over their stocks.

The Penney Organization sometimes comes into competition with national advertisers. If the organization is not allowed to cut the prices on an advertised article, it has the manufacturers make that article up for them under a private brand. It can easily be seen why the Golden Rule Stores sell few advertised goods.

The greatest problem confronting the Penney Organization is to get men of the right caliber. Mr. Penney himself gives this matter a great deal of personal attention. He believes in a low initial salary, because, in his own words, "The average man gets his pockets mixed; that is, instead of living on the money in his own pocket, he lives on that in the pocket of his business. He does not run his business as a thing distinct in itself; he confuses himself with it, and so begins to think that he and the business are one; that its profits are his to use as he will; that its current cash is always available for his passing needs and pleasures." Every man entering the employ of the Penney Organization, having a partnership to look forward to, sees the wisdom of the low initial salary, the long hours, and the hard work.

If Mr. Penney believes in humble beginnings for all who enter the employ of the Penney Organization in order that they may prove the kind of backbone they have, it is no more than his own career has exemplified.

One morning in early April, 1902, Mr. Penney, his wife, and little son arrived in Kemmerer, Wyoming, with little capital, but with a big supply of energy and enthusiasm. This was Mr. Penney's first store, the dimensions of which were 25 by 45.

"A half story above the store"—to use Mr. Penney's own words, "a room in a half finished condition—

Who's
Who

Biograph-
ical
Sketches
of Men of
Affairs

J. C.
Penney

provided housing accommodations. Little furniture was required; our sole ambition was to make a success of the little store; consequently, our physical needs were of secondary consideration.

"The store was capitalized at \$6,000—I having a one-third interest, was compelled to borrow \$1,500 to put up my share; the balance of the stock was owned by Messrs. Johnson and Callahan, who have been important factors in my life.

"The store opened on April 14, 1902. The first day's sales were \$466.59; the total sales for the eight and one-half months following, \$28,898.11.

"The seed thus planted, by careful watching and nourishment, grew, and Kemmerer has shown a large increase in sales.

"The mother-store—and we speak of it thus, with due reverence—has born a number of our best men; and the training they have received has been handed down until the men who have come out of Kemmerer are important factors in the mercantile world to-day.

"Surely the mother-store is proud of her sons, and she is continuing to train men; the principles that made the store famous are still in vogue.

"It can be truthfully said that customers who traded with us on our opening day, are doing so to-day, and nowhere are there any more loyal customers than those at Kemmerer."

And to-day, fifteen years later, the Kemmerer store is but one of 175 J. C. Penney Golden Rule Stores, and \$28,898.11 of annual receipts have given place to a round \$12,000,000! A stupendous growth—almost too vast for the human imagination to grasp!

Any number of lessons stimulating to American youth might be drawn from the development of the Penney Organization, and set forth by way of an ending. One of them is that hard work, pluck, a big idea, and far-seeing vision, rightly directed, have limitless opportunity in this big country of ours to take root, thrive, and yield the most abundant of harvests in financial reward and in the righteous self-satisfaction that comes to those who have been constructive forces for service and for good in the lives of their fellow-men.

MORE and more men of accounting training are going into public service with the various commissions. Formerly, civil service examinations were based almost exclusively on antiquated

The PACE STUDENT

August, 1917

bookkeeping procedures. With the substitution of examinations in more modern methods, at least for certain of the positions, the opportunity of the trained accountant has been broadened.

Especially gratifying, in this connection, is a letter recently received from one of the accountants of the Public Service Commission for the First District, New York. The writer is Mr. Thomas J. Kelley, and he writes:

"I am especially pleased, however, that this inquiry gives me the opportunity to express my appreciation of the Pace Courses, both the Accountancy and Pedagogy. I have them to thank, not only for the means of securing my present position, but for a broadening of horizon that has led me, since enrolment, from clerkship to a point where I can set my 'go-ahead stake' on the road to Accountancy in its higher forms. I am one, therefore, in whose life the name 'Pace' has made a real difference."

CHARLES NEVILLE, C.P.A., J. T. McIVER, C.P.A., M. H. BARNEES, C.P.A., and W. H. SKENE, C.P.A., announce the formation of a partnership for the practice of Accountancy, under the firm name of Charles Neville & Co., with offices in the National Bank Building, Savannah, Georgia. At the present time Mr. Neville is divisional auditor for the United States Government at the Army cantonment, Louisville, Kentucky.

J. HAROLD WREN, C.P.A., Pace Institute, Washington, D. C., has been appointed manager of the new offices of Rawlings, Hill & Company, Certified Public Accountants in the Mutual Building, Richmond, Virginia.

AMONG the many helpful pamphlets distributed by the Guaranty Trust Company, of New York, is an Income Tax Record Book. The form is a good one, and the column captions are given here for the benefit of those who may not have secured the book.

The book divides into three parts: one, entitled "Income Register"; the second, entitled "Allowable Deduction Register"; and the third, "Securities Register."

The following will indicate the form of each of these registers, the

general columns being to the extreme left, and the subcolumns indented. Thus, Income Distribution is a general column, under which there are subcolumns, each of which is further divided into subcolumns. The forms follow:

INCOME REGISTER

Date.
Description of Income.
Amount of Exemption Claimed on Certificates.
Total Income.
Income Distribution.
Coupons.
Tax Withheld or Paid by Company.
Tax Not Withheld.
Govt., State or Municipal Bonds.
Dividends.
Domestic Companies.
Foreign Companies.
Mortgage, Interest, etc.
Tax Withheld.
Tax Not Withheld.
Rents.
Tax Withheld.
Tax Not Withheld.
Profits: Sales of Securities and Property.
Sundry Items.

ALLOWABLE DEDUCTION REGISTER

Date.
Particulars.
Total Deduction.
Deduction Distribution.
Business Expenses.
Interest on Personal Indebtedness.
Taxes Paid.
Losses Without Compensation "In Trade."
Worthless Debts Charged Off.
Losses Incurred "Not in Trade."
Depreciation and Depletion.
Miscellaneous.

SECURITIES REGISTER

Date Purchased.
Stocks or Bonds.
Rate.
Description.
Cost.
Income Due.
Total Income.
Income Due Each Month.
January.
February.
March.
April.
May.
June.
July.
August.
September.
October.
November.
December.

ONE hundred earnest women concluded their training at Pace Institute for War Emergency Clerical Service near the end of June. Enthusiasm marked the close of the sessions. Miss Anna Mathewson read a poem, of which she was the author, on the subject of Accounts and the Course in general, taking friendly vengeance on the instructor, John T. Kennedy. Mrs. Charles D. Ward read a letter to Pace & Pace, signed by all the members of the class, expressing their appreciation of the patriotism of the firm in giving the course. The poem follows:

TAKING A LIBERTY

This consensus of opinion from the Tuesday Class I get;
From the Course we've gained a *Profit* that's colossal—*Gross* and *Net*.
We acknowledge we're the *Debtor*, and we feel, with grateful thrills,
That our mental health is better—this is not the *Pace* that kills.
We emerge from this *Emergency* all ready for the race,
Since we're each a lively *Pacer*—there's no "*Requiescat in Pace!*"
When our *Muster-Roll* is written, *Ranks* and *Ratings* will be high
(Maybe not just right at present, but within the bye-and-bye).
Of *Endorsements*, neatly pasted, yards and yards will be our own,
Urging that we be promoted to some Governmental throne;
We'll deserve it, being workmen worth our hire, so to say,
But we'll take no "tainted money"—does that term include *Base Pay*?
Whether suffragettes or antis, man before us soon must quail,
Since we've learned the proper method—how to *Route* or *Rout* the *Mail!*
Hear us talk in terms commercial ('tis no *Drawback*, seems to me),
Of *Demurrage*, *Bill of Lading*, *Invoice*, *Voucher*, *Consignee*,
Ad Valorem, *Corporation*, *Hundredweight*, *Rupee* and *Franc*;
While our *Checks* no more upset our shaky *Balance* at the *Bank*.
Debit (with a big, big "D," please!); *Credit*, too, we gently cursed;
But a day of reckoning showed us that *Bank Discount* was the worst.
The whole *Discount* bunch was brutal—Oh, that bad *Cash Discount* trap,
When we toiled on, unsuspecting, till its iron jaws went snap!
Still, on all so kindly taught us there's no *Discount*—*Cash*, *Bank*, *Trade*.
How to thank our keen instructor? Words can't do it, I'm afraid.
For his courtesy, unfailing; for his sense of humor, too;
For his hands that illustrated, clearly, every point in view;
For his depth and height of vision; for his boundless legal lore;
For the merry tales he told us—thanks for all of these and more.
But *one* topic that he mentioned, he's not qualified to teach:
Told us how to choose a partner—folks should practice what they preach.
I just offer that suggestion, never claiming that it's mine,
And I merely ask a question, "Get the idea? Yes? That's fine!"
No more liberties I'm taking: come to think of it, 'tis time
For *you* now to take a small one, and for me to end this rhyme.
Here's a problem for your solving, since of such things you are fond:
To exchange this piece of paper for a patriotic Bond.
May it prove a bond between you and each matron and each lass
That, unbroken, shall remind you of the grateful Tuesday Class.

New York, N. Y.

June Twenty-ninth, Nineteen-Seventeen.

—ANNA MATHEWSON.

FOR fifteen years I have worked as an accountant for private corporations, mostly railroads. In the latter part of 1916, I started in the practice of Public Accounting. Could you advise me of the proper methods I might adopt to secure business? In the few discussions I have read on this subject, I do not find much material as to the best means of procuring practice, and at the same time maintaining professional standards.

A As an Accountant you will offer a personal service, and it is quite a well-settled principle that one cannot with good taste cry up his own abilities. A professional man is necessarily more or less closely associated with his fellow-practitioners, and he cannot very well extol his own abilities without impliedly decrying the abilities of his fellows. Aside from this, his success depends upon his ability to establish himself in the confidence of prospective clients, and this confidence has its surest and most legitimate development when the friends and associates of the accountant speak well of him.

Undoubtedly, because of these reasons, we, as accountants, are developing a code of ethics which limits our methods of procedure in bringing ourselves to the favorable attention of prospective clients. We may send out notices of the establishment of a firm, or changes in its personnel, or in respect to location of offices from time to time, as changes occur; we may write books, make addresses, and in other ways bring ourselves to the favorable attention of business men and others; we may circulate copies of addresses among friends and business acquaintances, and our circle of friends may, of course, be increased by ordinary social contacts—all of these expedients, however, should preferably stop short of direct solicitation of practice.

Some accountants do not agree with this position. They state that Accountancy is new, and that the advantages to be derived from the installation of proper accounting methods can be brought home to business men only by more or less active presentation of the facts. There is undoubtedly some merit in this contention, but the more conservative view is that these advantages should be made known by addresses, books, and pamphlets, which are not put out as direct advertising documents.

The ethical procedures in the profession of Accountancy are only now in the process of development. The American Institute of Accountants, recently organized, has formulated certain rules which its members are required to follow.

Q A concern reappraises its assets, crediting Sur-

plus with a gain in book values. Is this gain considered Income for the purposes of the income tax law?

A A gain in asset values, as stated on the books by reason of reappraisal or adjustments, is not taxable income until the assets have been sold and such gain has been realized in the form of cash or its equivalent. On this point, Treasury Decisions 2005 and 2185 state:

"Likewise and conversely any appreciation in the value of assets due to appraisal or adjustment and taken up on the books of the individual or corporation is held not to be income within the meaning of the law until such appreciation, as a result of a completed, a closed, transaction has been converted into cash or its equivalent; that is, has been realized as an addition to, and a part of, the tangible assets of the individual or corporation. A book entry reflecting only an enhanced value of assets during the year evidences an increase in the net worth of the corporation or individual for that year, an increase which, under adverse conditions, may disappear the next year. An increase in value thus evidenced is intangible, unstable, and is not such income as the Federal Income Tax Law contemplates shall be returned for purposes of the tax."

An earlier court decision on the same point is that of *McCoach, collector, v. Baldwin Locomotive Works*, 221, Fed. 59, wherein it was held that gains in book values, consequent upon reappraisal of capital assets, do not constitute income for purposes of taxation.

Q Does the amount which a stockholder has invested in a corporate undertaking mean the market value or par value of the stock which he buys? Having already invested, is he responsible for an amount equal to the par value of the stock which he holds in addition to what the stock may have cost him when he bought it? What would be his responsibility if the stock had no par value?

A According to New York statutes, and the statutes of most states, stock cannot be issued except for par value or more. Liability of the stockholder extends to this par value. Market value has nothing to do with this liability. In the case of no-par-value stock, there must be received value equivalent to the amount for which it is issued. In other words, no-par-value stock is issued at a value, which value is specified at the time of issue in the contract. Actual value must be received for this.

Therefore, what is at stake is the amount which the person purchasing the first issue of stock paid into the corporation, either in the form of property, services, or money. If the stock were issued

(Continued)

by the corporation, irregularly, at less than par, then that person would be responsible for the difference between what he paid for it and the par value, or, in case of no-par-value stock, the value at which it was issued.

Courts are in conflict as to the responsibility of subsequent holders, purchasing in good faith without notice, for the amount less than par on the stock improperly issued. The weight of opinion, however, exonerates the subsequent holder from responsibility.

Q An employee in a manufacturing plant becomes ill. The concern for whom he is working continues his salary during the period of his illness. How should the amount of the salary be treated on the books in connection with the cost system?

A The amount of salary paid to the employee during the time that he is absent from work on account of sickness becomes part of the overhead cost of doing business. A very common method of recording such items is to open a separate account classification which will be charged with the amount of wages not chargeable to a specific job. The total charge to such an account should be included in the overhead expenses and distributed in the same method as other overhead charges are distributed.

There may be other methods of recording such charges, but the one outlined above is very generally used.

Q Wherein do expense items marked on the Balance Sheet as "Paid in Advance" differ from "Accrued" items?

A The word "accrued" is usually applied to those items of expense which accumulate from day to day, and for which settlement has not yet been made. Whenever the word "accrued" is used as an adjective to modify a name that is ordinarily applied to a nominal account, it indicates a real element. If a debit, it indicates an asset; if a credit, it indicates a liability. On the other hand, the term "Paid in Advance" usually indicates nominal items that have been paid, but the benefit of which has not yet been received. They may be either assets or liabilities. Unexpired Insurance, on the books of the insured, is an illustration of a prepaid account, as it represents insurance premiums that have been paid but the protection covered by the premiums has not yet been entirely received.

Q Please advise as to the proper method of analyzing such accounts as "Prepaid Insurance," "Accrued Interest," etc.

A From your question, we presume you refer to

The PACE STUDENT

August, 1917

the analyses that are made, not as a regular part of the accounting record, but as an adjunct to the preparation of financial statements at the

close of a financial period. A very satisfactory method of analyzing "prepaid insurance" is to list all open policies, one below the other, upon an analysis sheet; that is, a sheet ruled with many columns. Give a line to each policy, and in proper columns indicate the number, the name of the company, the amount, the date of the policy, the date of its expiration, and the amount of premium. From the latter facts, the amount of premium applying to the unexpired time can be obtained and set in a column headed "Insurance Unexpired," with the date; that is, the date of the Balance Sheet which this schedule will support. The total of this column gives you the amount of "unexpired insurance" to set up as an asset upon the Balance Sheet.

The above method will apply to any of the other items concerning which you asked information. For instance, "accrued interest" analysis sheet would contain a listing of all notes or any other interest-bearing securities upon which the interest is calculated, giving all necessary information for identification and the dates of the period covered by the accrual.

Such supporting schedules as the above do not usually form a regular part of the permanent accounting records, yet they are in a sense an inventory of the accrued items, or the prepaid items which are set up in the financial record. They are, therefore, of importance, and it is desirable that some scheme of filing them be adopted so they may be retained for future reference. A very satisfactory method of doing this is to use uniform sheets for such analysis, say 14 x 17 inches, or any other stock size suitable for the purpose, and provide a binder for filing them. The sheets in this binder may be separated by means of tabs, so that information therein may be readily accessible for reference. Either one of two methods of filing may be adopted. All supporting schedules for a particular Balance Sheet may be filed together, the tabs showing the date of this Balance Sheet. Or analyses of the same class may be filed together for successive periods; that is, one tab may be headed "Unexpired Insurance," and under that tab may be filed all analyses of unexpired insurance for various periods.

FREDERICK H. HURDMAN and William D. Cranstoun have formed a partnership for the practice of Accountancy, to be conducted at 55 Liberty Street, New York, under the firm name of Hurdman & Cranstoun.



If you wish to observe the change between youth and manhood, walk through the dormitories of a modern Young Men's Christian Association. On the walls of the rooms of the men between twenty and twenty-five you will find glaring pictures—poster effects. In the rooms of men slightly older, say between twenty-five and thirty, you will find the more sober and more artistic pictures. These symbolize transitions in the most interesting period of a young man's life.

Viscount Bryce expressed the thought that the young man soon reaches an age when he must forego the shallow pleasures of youth, if he would partake of the deeper joys of manhood. And among these joys of manhood should be the joy of work—the joy of using the abilities bestowed upon a man by his Creator. There is something wrong with the manner of living of the man who is always wishing he were young again.

The law of compensation must work. With the added burdens and added responsibilities of manhood, there comes the recompense of a bigger and fuller joy in life.

Impulse and Judgment "WITH most men impulse and judgment are in conflict," wrote a sagacious observer of men and their conduct. Apparently this pronouncement is true. We are constantly doing

many things that we know we should not do, and leaving undone many things that we know we should do. Except in the case of the utterly benighted and subnormal types of persons (which, happily, are greatly in the minority), most transgressions of the moral law and the social code can be traced to a conflict between impulse and judgment, with impulse winning the tilt. Speaking broadly, the more highly educated we are the more prone we are to enthrone judgment and subordinate impulse, although any educational process that would completely snuff out impulse lowers its guard and invites attack. The problem for the enlightened individual and the enlightened nation to work out, is clearly how to curb and direct impulse and how to liberalize and rationalize judgment in such a manner that the

The PACE STUDENT

August, 1917

two may work together, rather than at loggerheads, for the higher good of humanity.

THE successful farmer knows that, in order to gather an abundant crop, he must spend most of his time and energy in planting and hoeing. The ground must be got ready—ploughed, harrowed, and fertilized. The seed must be sown in proper amount and at proper depth. Weeds must be killed, and the soil must be regularly stirred up in order to conserve moisture and to give the tender plants a chance to mature. If these things are done, the farmer knows that he does not need to worry about his harvest.

The same principle applies to harvest-gathering in Business—the making of profits and the advancement to positions of higher responsibility and increase in earning power. The young man of wisdom focuses his initiative, his time, his brain-power upon preparing for the harvest-time. He takes stock of his strong points and his weak points. He learns whatever and wherever he can. He gives up time-killing pleasures, and spends his spare hours in self-development. He increases his knowledge and usefulness. Then comes the harvest time of dollars and cents, of satisfaction with things well done. Plough, sow, and cultivate now, young man—never mind, about gathering the crop; that will come later.

THE PACE STUDENT

A Magazine of Service
Interpreting
the Purpose, Spirit, and Needs
of Modern Business

Published Monthly

Subscription Price \$1.00
a Year, Payable in Advance

PACE & PACE, Publishers
30 Church Street
New York

Copyright, 1917, by Pace & Pace

OFTEN have our minds been regaled by the story of the solemn, wise Bostonian following in the footsteps of the erring calf. No matter how much dignity Boston may muster, this incident and all that it implies will not be forgotten.

Experience is a great teacher, the world a truant pupil. Boston ignored the oldest of all teachers. Cities had been built for centuries prior to the advent of Boston. Long before Boston boasted of its prowess as a dispensary of learning, the world knew that the shortest distance between two points is a straight line. Yet the streets of Boston and of other cities are unnecessarily crooked, creating confusion, waste, and loss that is inestimable.

Perhaps young Boston felt like being contrary to the teacher—just like you and me when we were young. On this point I am still contrary.

My teacher claimed that the incident showed the force of habit. Quite the reverse; it showed lack of habit. It was not an instance of abuse, but of non-use. Much learning is fruitless, unless habitually applied. Efficiency consists in the habitual use of learning.

The PACE STUDENT

August, 1917

Finance **O**PTIMISM as to the banking business during the period of the war is expressed in the June, 1917, *Bulletin* of the National City Bank, of New York. This optimism is based on the experience of other countries, which indicates that savings deposits will not be greatly disturbed. Typical of this experience is that of Canada. In that country, savings deposits increased from \$722,000,000 on December 31, 1915, to \$982,000,000, on March 31, 1917. It is believed that heavy subscriptions to the Government loan will, in the long run, greatly increase bank deposits, for the reason that this is an inevitable result of a general increase in loans. Furthermore, the proceeds of the loans will be disbursed by the Government practically as fast as received, thereby distributing the funds to all localities.

Criticism **O**NE of the weeds that flourish in the garden of democracy is the disposition to criticize and cavil at things we know nothing about. Jumping at conclusions, we sometimes call this trait of ours. It is different from that, for when we jump at conclusions we may have a glimmering notion of what we are criticizing or objecting to.

We criticize our schools when, as individuals, we have never taken the trouble to find out the splendid work they are doing. We criticize our neighbors when we know little or nothing of them or their manner of thinking and doing. We rail at the Government and sit in soap-box judgment upon Federal promulgations and policies when we have no knowledge of the facts and data responsible for the things we think we do not like. We sneer at our superior officers in the business organization that gives us our bread and butter and profess to wonder how they have got where they are, when all we know of the concern is wrapped up in our narrow daily routine.

This kind of criticism, fault-finding, snap-judgment—call it what you please—seldom injures its object, though to have it buzzing around is irritating; but it always injures the one that expresses it, for it undermines judgment, distorts perspective, and puts a premium on loose thinking. Let us have done with it. Blessings upon the man that resolutely keeps his mouth shut till he knows what he is talking about!

Construction **L**ET us build something, you and I, together perhaps, or each working by himself and for himself because he builds for others first.

Let us think of the work we do, not as jobs or as positions, but as something to be planned and constructed and completed. Let us build with the needs and conditions of our associates and our own enterprise, as a whole, in mind. Then let us take thought of the effect of our building upon society, the public, other people. There is real satisfaction in building something that will last, because it is good and sound. It is the builders that are vocationally happy; for out of the building view-point and the building-approach to a problem or a task come not only the joy of having created something, but, what is far more important, the joy that inheres in the capacity to create. And it is the capacity to create that spells development, advancement, success. Let us build something, you and I.

Little Things **M**ANY people—young folks especially—in the wisdom of ignorance profess to think that the difference between an indifferent success and a conspicuous success is a matter of miles in respect to native ability and opportunity, as well as in results. In the case of the majority of men who have made conspicuous successes, this is the wrong standard of measurement. Very often the difference between success and mediocrity, in the professions and in Business, is a matter of extra yards, extra feet, yes, extra inches, given freely as a steady practice. An extra yard, an extra foot, an extra inch, even, of industry, of determination, of judgment, of vision, of personal co-operation—have often unlatched the door of opportunity, and sooner or later pushed it wide ajar. Big things—big achievements, big incomes—represent the welded total of many little things. If you are looking for success, then, give extra services in time, brains, and effort to the work you are doing. Do not scorn the yardstick, or the foot-rule, standard of measurement. The mile-standard will show itself in results achieved.

Mines **D**ID you ever take time to think that people are like mines? Just as there are a few productive mines, and many worthless mines—those that contain no "pay dirt" of any kind—just so there are a few people whose intellectual lodes it pays to explore, and many people who yield nothing worth appropriating to your mental pick and drill. It pays to "prospect" a while before you sink your capital in a mine that may turn out only a cheap quartz and gravel for your pains. And it surely pays to "prospect" among your fellows before you invest in them your reserves of time, interest, and intimacy.

H. E. DOWNING, auditor of the Los Angeles Times and subsidiary corporations, engaged in the printing, publishing, and binding business, and a Pace student, recently delivered a paper before the Semester D class of the Accountancy School at the Y. M. C. A., of Los Angeles, California, on the principles of cost keeping for a printing and salesbook business. The system described was that agreed upon by the Printers' Cost Committee of the United Typothetae and Franklin Clubs of America. Through the kindness of O. T. Johnston, Esq., C.P.A., financial secretary of the Los Angeles Y. M. C. A., the following copy of the address is made available for our readers:

"The principles of cost keeping that we are now studying apply in their entirety to the printing and the salesbook business. The principles could not well vary—they are fundamental—but in the printing and salesbook business there are certain peculiar accounting conditions that require especial handling.

"Proper and informing cost keeping is absolutely necessary for the efficient and economical control of any commercial activity, and in an enterprise of the nature of the above, where the competition is so severe, the cost of materials so high, the service so exacting, and the public so critical—in order to be on the right side of the Ledger at the end of the fiscal period, it is pre-eminently necessary that the cost of production be known.

"Before installing a cost system, it should be determined what are to be the functions of the system and what results are sought.

"There are three elements necessary in any cost system: continuing, undeviating persistency, the passage of time, and the helpful and energetic support of the management. Without these three, there can be no successful operation. The management should then properly look to it to supply the accurate costs of articles manufactured, to determine all waste of materials, the effectiveness of labor bought, the measure of expenses and their relation to direct cost and sales; and it should compare unit or department operations with some predetermined standard, for without a comparison progress cannot be measured.

"Momentarily, let us consider the elements entering into scientific cost keeping, that we may more clearly perceive the objects at which we aim.

"We have learned in our cost studies that the component elements are: direct material charges, direct labor charges, and indirect material, labor, and other expense charges. It will be clear that

the cost of the article must be a proportionate sum of all three elements.

"Material from our cost viewpoint contemplates only that entering into and becoming a physical part of the finished article. There can be no extended profitable argument how to obtain the material costs, for registering them accurately must be done by reports of weights or other measures of quantity; the greatest difficulty being to overcome the human frailty of carelessness in handling and reporting, no small amount of profits being lost by wastage. Waste of material is itself the one greatest cause of high costs to-day, and all manufacturers would do well to look toward an increase in profits by reducing that expense, rather than reaching out for more markets and thus taxing more severely our already overstrained distribution systems.

"Labor is the second cost element, and the one that probably causes the executive the most trouble and anxiety; the human element and personal equation entering heavily into the cost consideration at this point, and being of the three elements the least subject to managerial control. For cost purposes, labor is divided into two classes: the direct, or that chargeable directly against the work; and indirect, which becomes a portion of the overhead or burden. Labor costs are ordinarily not hard to obtain, the pay-rolls or time-tickets supplying the requisite information for the class division and apportionment.

"The third cost element—expense—is an elusive and exasperating one. Here the certain ground of direct costs is left, and the accountant goes 'aviating.' There is no positive and unimpeachable way to apportion it to the various articles or operations of manufacture, and the particular enterprise under review must be studied and an apportionment made on the fairest and most equitable basis.

"The system or plan in use in our printing and binding and salesbook plants is that agreed upon by the Printers' Cost Commission of the United Typothetae and Franklin Clubs of America, and in common with all worth-while systems, it is articulated with the general books. Generally, in cost keeping, the tendency is to use a great number of forms, each additional requirement of the management calling for an addition to those already in use, until at last the system is burdened, if it does not actually fall, by the weight of the clerical work. This tendency should be persistently fought until they are 'boiled down' to the lowest possible number.

"Our purchasing is done by a general purchasing agent, who buys on requisitions from the managers of our various enterprises. The requi-

Expense

sition on the purchasing agent is made in triplicate, and follows the usual course of any purchase requisition.

The **PACE STUDENT**

August, 1917

"Raw materials are all delivered to the stores department, and a perpetual inventory is maintained. No materials are issued without a proper requisition, and at intervals a section of the stock-room is physically checked against the book record.

Pay-Roll "A very large and important account is the pay-roll, the handling of which is a very important matter. Each plant operative is supplied by the foreman with a time-card for each job upon which work is to be done. On this card are printed the various operations within the department. As the operative starts work, the card is inserted in the time-clock and the starting time registered; when the work is finished, or activities are transferred from one operation to another, the time is registered out. These cards are assembled at the end of the day and sent to the accounting department, and upon individual time-sheets the time of each employee, showing exactly the time spent in each class of operation, is recorded and the operative paid accordingly. It will be seen that with a competent foreman no reason or excuse exists for prolonging an operation, and that nothing is left for the employee to guess at or forget, and the actual time occupied on the operation is obtained.

"This card, from which the record has been made, is placed in the cost jacket on file in the office, in which has already been placed the duplicate of the material requisition. When the job is completed and shipped, the job-ticket, which has followed the work throughout all operations and departments, is sent to the accounting department, whereupon the cost jacket is extracted from the files and the job is then ready for the cost clerk.

"Material, quantities, and costs are obtained from the requisition, which shows the kind of material and quantity used, and the invoices show the cost. The hours of direct labor spent upon the job are obtained from the time-tickets. This cost system contemplates the operative's time being divided into two classes—chargeable and non-chargeable. The chargeable time is the direct labor, and is chargeable directly against the job. The non-chargeable time of course the operative is paid for, and is a portion of the department overhead or burden.

"All department expenses are reduced to a chargeable hour basis, that being the unit of cost used.

"Digressing a moment, I will say that it is customary for the members of the Typothetae to

keep accurate records of their costs for the period of a year and to forward the result to the secretary of the organization, and under his direction they are compiled into a composite 9-H form, the expenses being reduced to a chargeable hour basis. This creates a fair standard by which the individual may measure the efficiency of his own plant, after taking into consideration the local conditions.

"Our cost clerk does not, however, use these standard costs to compute the cost of the job to the concern, but uses *our* standard—an average of the costs of the twelve preceding months. Thus, the hours worked in each department having been obtained from the cards, he proceeds to multiply them by our standard-hour rate, and the result is the accepted labor and overhead cost. (Why this chargeable hour rate contains the overhead I will presently explain.) Adding the labor and material costs gives us the job cost.

"The cost information recorded on the cost jackets is registered on a Job Cost Register, showing the value of the material used, and the number of hours worked in each department. This Job Cost Register shows, in addition, the selling-price of each job, and the total of the column containing the selling-price must agree with the sales as evidenced by the duplicate sales tickets.

"Now let us consider the productive section of the plant. The functions are confined to specific departments, namely: Composition, Job Press, Cylinder Press, Bindery A—Cutter, Bindery B, Bindery C, Bindery D, and Carbonizer—and these departments for the sake of brevity are appropriately identified by accounting mnemonics. In addition to the plant departments are the General Office, Commercial Division, and the Shipping. Bearing these departments in mind, and that we shall be obliged to reduce all expense to a productive department chargeable-hour base, we will now give our attention to the so-called budget and fixed expense accounts that are distributed monthly over the departments affected. Where costs are figured by the job, and on such products as job-printing or salesbooks, it is expedient to have as few fluctuations as possible amongst the department expenses, and where usages and expenses are fairly constant, as in the case of rent, heat, light, power, depreciation, interest on investment, oil, gas, rags, rollers, etc., it is best to establish a budget or standard at the commencement of the fiscal year, and credit it monthly, changing the monthly expense over the departments affected. To do this, and other things, is the province of the '9-H form,' which we will now consider in detail. The 'rent, heat,

Production

and light' are distributed upon the basis of floor-space, and the 'power' upon the basis of department horsepower hours of actual motor-running time. 'Depreciation' is figured upon the cost value of the equipment within the department, as is 'interest upon department investment.' After working 'interest upon department investment' into costs, it is returned to income.

"We are now ready to add this form, both perpendicularly and horizontally. As it is a Journal Voucher, necessarily it must balance, and assuming the proof has been established, we have in each of the debit columns the department direct labor and expense, and the department overhead.

"Each department has its separate Ledger sheet in our Controlling Ledger and the debit postings are divided into five separate columns, the plan being to give one line of the Ledger to each month. By confining postings of the same class to a separate column, a valuable monthly comparison may be made and extraordinary fluctuations located without trouble.

"At this time we shall commence to incorporate the information on the form in the general books, and the first entry we will pass is:

Entries Sundry Departments xx
 To Pay-roll Accrued..... xx
 For monthly pay-roll expenses.

"This posted, we will proceed to the next step of charging the departments with the department overhead and fixed expenses. This is done by making an aggregate footing of each department's fixed expense and Journalizing:

Sundry Departments xx
 To Sundry Fixed and
 Budget Expense xx
 For departmental distribution.

"With this entry posted, we have arrived at a point where we must distribute the non-productive department-making expenses over the productive departments, which we will proceed to do on the basis of total productive department costs, thus:

"Shipping and Commercial Expense divided by Factory Expense equals — per cent. General Office.

"This percentage established, it is a simple matter to multiply each productive department's expense by the general overhead per cent. to determine each productive department's proportion of general overhead. With these figures computed and established in the horizontal col-

The PACE STUDENT

August, 1917

umn, we must then incorporate them in the books, consequently the following entry:

Sundry Productive Departments xx
 To Office — Commercial
 Expense and Shipping
 Expense xx
 For distribution of general
 overhead.

"We now turn to our Department Consolidated Time Report for information regarding factory operations. We obtain from it the number of chargeable hours worked in each department. These hours are listed on the 9-H form in the horizontal column. By dividing the total department cost by the number of chargeable hours, cost per department chargeable hour is obtained.

"The cost of direct materials used is next obtained from the Job Cost Register, and a Journal is now to be passed, charging:

Materials Used to Sundries xx
 To Paper xx
 Ink xx
 Sundry Stock xx
 For monthly usage on finished jobs.

"Upon posting this Journal we have now in our general books all the information contained on the 9-H form; the budget or fixed expense accounts have had their monthly apportionment established, and we have worked into the productive departments all of the monthly expenses; consequently, in taking the next step and considering the 'Work in Process,' and 'Finished Work,' we will have only those departments and 'Materials Used' to consider. It will be apparent that it cannot be otherwise than that all of the activities of the productive departments, and the materials used, have been concerned with 'Work in Process,' so it is proper to pass the entry:

Work in Process to Sundries xx
 To Sundry Productive
 Departments xx
 To Materials Used xx
 For all expense on account
 of work in process.

"The effect of this entry is to gather into one account all the expenses properly chargeable against

work in process and to close out the producing departments and material expenses.

"The next progressive step is to consider the cost of the finished work, and to obtain this we again have recourse to the Job Cost Register. Here we find in total the productive hours, in each department, worked on jobs finished and billed.

"Logically, our next entry is to charge the 'Finished Work' and credit 'Work in Process' with the cost of the finished work for the month, and we are therefore concerned with the determination of that cost. Of the materials we know positively, but when we deal with so elusive an object as an hour of the day it is not quite so easy, although determinable.

"In arriving at the labor cost of the finished work, we have so far been dealing only in chargeable hours. For determining *monthly* results, we have not placed any value upon the productive effort. At the first of the month, we had a certain number of chargeable hours unbilled in each productive department; and we have, according to our pay-roll sheets and department time-reports, bought and paid for an additional quantity. From the sum of these two we subtract the hours billed, as indicated on the register of job costs, which gives us the amount on hand to carry forward to the next month. There has now been gathered all necessary data to determine finished job cost. Experience has shown us that ninety-six per cent. of our work does not linger in the factory and break over from one month to another, consequently the hours brought forward from the preceding month are charged to 'Finished Work' at that month's department rate, and the remainder of the hours billed is charged into 'Finished Work' at the current month's rate. This computation is carried through each productive department upon a Finished Job Register and the results totaled. This total, with the cost of materials used, is charged to 'Finished Work' and credited to 'Work in Process' for the cost of finished jobs billed in the current month.

"This entry leaves the account, 'Work in Process,' an inventory account of the labor cost alone, the materials used in 'Work in Process' remaining in 'Stock' until the job is billed; and it also leaves but three accounts now affecting the current month's sales operations, namely: 'Finished Work,' 'Returns and Allowances,' and the income account 'Sales.' It will be apparent that we

*Labor
Costs*

now have in the 'Finished Work' account all the cost of the sales; consequently, the 'Finished Work' and 'Returns and Allowances' are closed into the 'Sales' and the result is the net profit from sales for the month.

"Our cost report has now been incorporated into the books, and its informing figures have been carried through all operations; we have closed out all department accounts, materials used, and general overhead expenses into 'Work in Process,' have taken from 'Work in Process' all finished work, have closed 'Finished Work' into 'Sales,' and have shown the net sales profit or loss for the month—thus complying with the requirements of a truly informing cost system, about which I spoke at the commencement, and establishing a valuable addition upon which a new standard may be built that will reflect operating conditions of a later date and therefore of a more properly applicable nature."

Current Assets

"MIS-STATED CURRENT ASSETS" is the title of an interesting article in the June number of the *Journal of Accountancy*, by A. S. Fedde, C.P.A. In the very beginning of the article, it is pointed out that the well-understood condition that values appearing on a Balance Sheet are, to a considerable extent, the result of estimates and opinion is not confined to fixed assets. Amounts given for current assets are sometimes expressive of opinion, and at other times, grossly misstated. The author affirms that misstatement is frequently quite innocent, but that an innocently incorrect statement may be quite as damaging as one deliberately misstated.

Misstaterments may appear even in the item Cash. Checks drawn and mailed prior to the date of a statement resulting in an overdraft of the bank balance are, in some instances, written back to the extent of the uncleared checks. They are stated as Cash on one side and Accounts Payable on the other. This is clearly wrong, since to the extent that checks have been drawn upon a bank balance the cash available has been reduced.

Bar gold used in manufacturing should not be included as cash, but should be placed in Inventory. Items advanced to salesmen, branch selling-offices, traveling repairmen, etc., should not be included in cash. The writer prefers to include them as working assets, classified with unexpired insurance, prepaid interest, and other deferred charges to operating. "They are available for the

The PACE STUDENT

August, 1917

conduct of a certain part of the business, but certainly not available for meeting the liabilities shown on the books."

Balances in the personal accounts of partners or officers, as well as loans made to affiliated companies, should not be combined with Accounts Receivable of trade customers. Both of these should be set out as separate items.

After stating some peculiarities of inventory, the article remarks on the practice of some concerns of including "containers" as a part of merchandise inventory, when the containers are not to be sold to the customers. In these instances there would be a charge to the customer, and a credit to a special account. The credit in the special account would be deducted in the Balance Sheet from the Accounts Receivable. At this point, nothing would appear in the Balance Sheet as to the value owned by the concern in these containers. Hence, an asset must appear, and this is usually accomplished by adding the value of the containers to an inventory of the same class, shown under fixed assets as part of the equipment for doing business, and not under current assets.

Concerns frequently incur heavy liability upon contracts. "Contracts for future purchase of materials may be of such volume as to make any prospective lender pause and consider—and they may have been made under such conditions that at the Balance Sheet date a loss is already in sight." Notation should be made of these as contingent liabilities.

The article is an intensely practical one, and is well-worth reading.

COST-ACCOUNTING systems for road construction and maintenance are receiving more and more attention from state highway departments and from engineers and contractors.

B. L. Vipond, a former Pace student in the Washington School, who is in the Office of Public Roads and Rural Engineering, U. S. Department of Agriculture, suggests several books on this interesting subject. One of these is the work of John H. Lewis, of the State Highways Department, of Oregon, in which a system is presented. Some criticism has been leveled against this system as being too complicated. Nevertheless, Mr. Vipond suggests that if the men engaged in

the work are properly instructed in the use of the forms, there is no serious objection to the system proper.

Another work suggested is the "Hand Book of Cost Data," by Halbert P. Gillett. This book contains cost-accounting suggestions, but does not contain any special system of gathering costs. It covers road work, excavations, sewers, and other engineering construction.

A Bulletin has been prepared by the Office of Public Roads and Rural Engineering, Department of Agriculture, on the subject of Road Cost Accounting. This is in process of printing, but owing to the crowded condition of Government printing work is not likely to be published before fall.

ANOTHER example of the interest taken in education by modern corporations is found in the recent action by several of the rubber factories in Akron, Ohio, including the Firestone Tire & Rubber Company and the Goodyear Tire & Rubber Company. These companies have established thirty scholarships in the Engineering College of the Municipal University, of Akron, Ohio.

Those receiving the scholarships take the course at the University and work in a factory in alternating two-week periods during the school year. For the work they do in the factory, they receive \$37.50 for each two-week period. The scholarships cover all of their expenses at the University.

Candidates are selected from graduating classes of high schools, preference being given to the graduates of the Akron High School.

ONE of the many big corporations actively promoting the public weal in these trying times is the International Harvester Company. The entire field-force of this organization has received instructions to aid farmers in enlarging the acreage planted and increasing the yield. Salesmen are directed not to advise purchase of new machines to replace machines which can be properly repaired, and instructions have been given that repair parts are to be furnished as quickly as possible to those needing them.

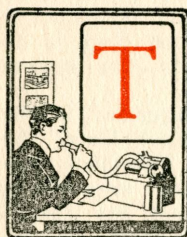
Further recognition of the need of preventing a crop shortage is evidenced in the publication, by this company, of a pamphlet on the subject of teaching agriculture. This pamphlet is sent free to all teachers who are interested.

Road Costs

Scholarships

Farming

Horatio
N. Drury,
B.A.



HE value, both in the short run and in the long run, of courtesy in all kinds of business letters can scarcely be overestimated. Courtesy is a builder of

good-will, and good-will is the basis of business stability and expansion. There are many times when one is tempted to write in an overbearing, a curt, a sarcastic, or an angry vein; and from the personal point of view, considering the nature of the provocation, one might be justified in so doing. The personal point of view, however, is not the point of view to take; one should always subordinate himself to the good of his business and take the business point of view, no matter how strongly tempted he may be "to show that firm a thing or two." This is hard to do, of course, human nature being what it is; but it pays.

Often letters that are crisp and pointed are justifiable, and even necessary, but even such letters do not need to be discourteous or offensive in content or in tone. Every letter, no matter what its purpose, should leave upon the mind of the person or firm that receives it the impression of justice, fairness, and courtesy on the part of the sender. Nowadays, far-sighted firms make short shrift of the correspondent who does not grasp the relation between courtesy in letters and business growth.

Overdoing courtesy is possible. Courtesy does not mean obsequiousness; it does not mean servility; it does not mean insincerity; it does not mean sacrifice of self-respect. There is no more sense in filling a letter with an excess of *please's*, *thank you's*, *kindly's*, and other words and phrases of that ilk, than there is in carrying on a conversation in a truckling manner. It is not good form; it is not good business. Courtesy has no quarrel with self-respect; rather, it is a high expression of self-respect.

The following examples illustrate the point of this article:

(Poorly Written Letter)

We have had so many complaints about the service, or rather lack of service, on your part as a distributor of our cars that we are out of patience with you. When we let you act as our representative, we thought we had made it clear to you that satisfied purchasers were what we prided ourselves on. It seems that you did not grasp this matter.

The PACE STUDENT

August, 1917

Our Mr. Miller is going to call on you next week to try to pull you out of the bog you have got into and show you what you are expected to do if you wish to continue your business connection with us.

(Same Letter Rewritten)

We are sorry to say that recently we have had many complaints of lack of proper service from persons who have purchased cars through your distributing agency. We do not presume, of course, as yet to pass upon the justice of these complaints. Ordinary justice and courtesy require that you have a hearing, and we purpose to give you that hearing.

Our Mr. Miller, who has had much experience in bringing about close coöperation between our distributors and our manufacturing plant, is going to call on you some day next week. We have no doubt that you and he will be able to work out a plan that will be satisfactory to us all. Your interests and ours are closely allied, and we want to help you all we can.

(Poorly Written Letter)

Your account for \$218.25 is already three months' overdue. We have written to you about the matter six times, but you have paid no attention to us. What do you think we are? A philanthropic institution? We have obligations to meet, just as you have, and we can't pay them unless our customers pay us. We shall expect a check by return mail. Send it.

(Same Letter Rewritten)

Your account for \$218.25 is already three months' overdue. We have written to you about the matter six times, but for some reason, we have failed to receive a reply from you. Our own obligations are very pressing at this time, and we must insist that you send us a check by return mail.

(Poorly Written Letter)

If you will kindly call at our new tailoring establishment at the corner of George and Jackson Streets, we shall greatly appreciate your interest in our new spring offerings. We are very sure that if you will be so good as to pay us a call, you will find that our goods, workmanship, and prices will appeal to you as a business man who wishes to get as much as he

can for his money. Please do not fail to come. Kindly ask for me personally. Thanking you in advance.

(Same Letter Rewritten)

We have just opened a new tailoring establishment at the corner of George and Jackson Streets. If you will pay us a call, you will find that our goods, workmanship, and prices will make a strong appeal to you. It will pay you to look over our offerings. May we not see you?

The point is pretty plain. Write courteous letters at all times, but not groveling letters, or letters that unnecessarily irritate the one who receives them. The principle behind this dictum is that courteous letters build good-will even after the fact of their having been written is forgotten by the sender.

STUDENTS of the Pace Professional Accountancy Course of the Rider-Moore & Stewart School of Trenton, New Jersey, celebrated the culmination of Semester B with a delightful banquet, served in the Trenton House, Thursday, June 8, 1917. Banquet

Charles A. Pace, who had been invited to attend, was unable to be present. In his stead, John T. Kennedy represented Pace Institute. Mr. Kennedy delivered an address on "Accountancy in Modern Business."

John E. Gill, vice-president of the Rider-Moore & Stewart School, spoke briefly in praise of the course and of the intensive and loyal support of the students. John R. Summerfeldt, secretary of the business school, commended the class for its fraternal spirit.

The guests, besides Mr. Kennedy, were Walter D. Cougel, LL.D., instructor in Law, and Professor H. B. Brofee, instructor in Accountancy. Professors Cougel and Brofee spoke briefly of the pleasure they had in instructing the class during the past term.

The students present were very enthusiastic over the work accomplished during the past year, and are looking forward to even better results and a stronger class organization next year.

William J. Mitchell, class president, acted as toastmaster. The other officers of the class are Chas. J. Miller, secretary, and Jos. Ryan, treasurer. Others in attendance were George L. Wolf, H. S. Bowen, Irving Kahn, H. T. Lancaster, J. Levin, and H. G. Suppers.—*By Chas. J. Miller.*

THIS fall at Teachers' College, Columbia University, an attempt will be made to reorganize the entire plan of elementary education as at present carried out in the United States. The new institution will be financed by the General Education Board.

The New York *Tribune* in a recent issue says: "The curriculum will include no study of formal grammar, no involved mathematics, no Latin, Greek, nor other dead languages, no ancient history except as it bears on modern problems—nothing, in fact, for which no better reason than tradition can be assigned. As few books as possible will be used; the supporters of the movement believe that if children are to be taught and trained with an eye to the realities of life and existence, the accessible world is the laboratory to be used for that purpose."

This, in fact, seems to be the keynote of the entire movement; to so train the child that he will develop somewhat in accord with his environment, instead of to leave him at the end of his school days utterly at variance with the workaday world around him.

Abraham Flexner, secretary of the General Education Board, says: "The curriculum will include nothing for which an affirmative case cannot now be made out. The modern school will not go through the form of teaching children useless historic facts just because children have learned and forgotten them. Nor will it teach obsolete and uncongenial classics simply because tradition has made this sort of acquaintance a kind of good form. Mathematics will be taught in such form, in such amounts, and at such times as other subjects require. The school will put great stress on modern languages. It is believed that languages have no value in themselves; they exist solely for the purpose of communicating ideas and abbreviating thought and action processes. If studied they are valuable only in so far that they are practically mastered—not otherwise. We shall aim for absolute fluency for our pupils."

The director of the new school will be Professor Otis W. Caldwell, now head of the Department of Natural Sciences in the School of Education of the University of Chicago. The new school will begin work next September, admitting both boys and girls from six years of age and up. Ample funds advanced by the General Education Board insure a thorough trial of the new idea.

The PACE STUDENT

August, 1917

THE importance that attaches to education in commercial subjects received further recognition, recently, on the other side of the Atlantic. We learn through the pages of *The Accountant*, issue of February 17, 1917, that Edinburgh University has decided to institute a degree in Commerce. It appears that at the present time all the subjects necessary for the new degree are included in the curriculum, with the exception of accounting. The suggestion is made that it might be possible for the Chartered Accountants in Edinburgh to provide for the endowment of a Chair in Accounting at the University, and thus secure a voice in the counsels of that body.

CANADA'S experience at the present time in dealing with the vocational problems of returned soldiers furnishes this country much food for thought. The Extension Department of Pace Institute is in receipt of a letter from Mr. John H. Turner, of Quebec, Canada, an Extension student, in which he comments in a very interesting manner on the Canadian situation.

He is especially impressed with the great amount of vocational work which must be done after the war in fitting the returned soldiers for places in the business world. The reason for this, Mr. Turner says, is that the men who went out with the first Canadian Expeditionary Force, were, for the most part, drawn from the ranks of bank clerks and young men just starting their business careers. Now it is necessary to fill their places, as the members of the first contingent were practically all killed in those dark days when Britain and her colonies were doing their best to stem the German tide.

Mr. Turner goes on to say that the men who are now returning from France are mostly farmers and mechanics, totally unfit at present to fill business positions. Their training and the training of that great group that will return after the war has become a momentous problem.

To meet it, The Military Hospitals Commission has formed a Vocational Department that will endeavor to fit the returned soldiers for the business positions waiting to be filled.

The experience of our northern neighbor has an added significance

for us at the present time in view of the fact that we, at some not far distant date, may have to meet and decide the same problem.

Canada's
Vocational
Problem

ODELL R. CUNNEEN, Accountancy Institute of Brooklyn, has been appointed credit investigator for the National Bank of Commerce of New York. Mr. Cunneen was formerly employed on the staff of the Brooklyn Central Young Men's Christian Association.

HENRY E. KEELER, Accountancy Institute of Brooklyn, formerly employed by the Barrett Company, has accepted a position in the accounting department of Nestlé's Food Company.

CLARENCE S. MAC ELVEEN, Accountancy Institute of Brooklyn, formerly employed on the accounting staff of McWhorter, Boyce, Hughes, & Farrell, is now employed as head bookkeeper for American Motors, Inc.

CHESTER A. PHILLIPS, of the Providence Institute of Accountancy and Business Administration, is now secretary of the Weybosset Market, a recently organized corporation in Providence.

GEORGE E. A. STRAIN, who was formerly office manager and accountant for the William H. Jackson Company, has accepted, through the Pace Agency for Placements, Inc., the post of traveling auditor for the American Water Works and Electric Company.

WALTER P. CATHIE, who was formerly engaged as office manager for J. H. & C. K. Eagle, has accepted, through the Pace Agency for Placements, Inc., the post of auditor and accountant for the John F. Murray Advertising Company.

MRS. Z. P. HUGHES, Pace Institute, has accepted a position with the National City Bank.

JOHN L. DUFFY, Pace Institute, formerly employed by the Northern Assurance Company, has accepted a position on the bookkeeping staff of the Northam Warren Corporation.

WILLIAM J. McGRATH, who was formerly office manager and accountant for William Hughes & Company, Inc., has accepted, through the Pace Agency for Placements, Inc., an appointment as accountant for the agricultural division of the Russian Buying Committee.

PROVIDENCE INSTITUTE OF ACCOUNTANCY AND BUSINESS ADMINISTRATION held its third annual dinner on Thursday evening, May 10th, at King Fong's. Fifty-two members of the student and faculty body were present.

Short speeches followed the dinner. Frederic H. Fuller, president of the Providence Y.M.C.A., spoke on "The Association." Other speakers were Homer S. Pace, C.P.A. (N.Y.), who delivered a lecture on "The Work of To-morrow"; Frank A. Swan; L. E. Hawkins, general secretary, and John G. Olmstead, vocational director. There was also other entertainment.

Students and faculty alike pronounced the affair a great success, and made favorable comment upon the excellence of the program arranged by the Dinner Committee. The members of the committee were Arthur L. Giddings, Herbert A. Henrikson, Harold H. Kelly, and Donald M. White.

The PACE STUDENT

August, 1917

ABOUT one hundred students and their instructors in the Pace Institute, Boston, gathered at the Hotel Bellevue upon the occasion of their second annual students' dinner on Wednesday evening, May 9, 1917.

Mr. Luther Hill presided as toastmaster. The speakers of the evening were Homer S. Pace, C.P.A. (N. Y.), who delivered a lecture on "The Work of To-morrow," and Messrs. Oscar M. Miller, William C. Canning, and Amos L. Taylor.

The members of the Committee in charge of the arrangements were R. E. Finnegan, B. C. Kelleher, C. W. White, G. M. Thompson, F. H. Lawrence, and C. A. Howes.

The success and enthusiasm which marked the evening promise to make future dinners an event of great interest to the students and faculty.

MICHAEL G. MULHERN, Pace Institute, who was formerly in the employ of B. Altman & Company, has accepted a position with the American Red Cross.

WILLIAM H. BRIGGS, of the Providence Institute of Accountancy and Business Administration, has recently become traveling auditor for the New York, New Haven, and Hartford Railway.

E. J. BANKS, of the Providence and Boston Schools, has become associated with the accounting firm of Ward, Fisher, Carpenter & Philbrick, of Providence.

DONALD WHITE, of the Providence Institute of Accountancy and Business Administration, has just accepted a position with the Scripps-Booth Automobile Company in New York.

He who seeks equity must do equity.

Fall Courses of Study for Business Advancement

PREPARATION for Business means interpretation of Business as a science, a profession—interpretation of the basic principles, procedures, and devices of Business. Men and women who study Business in this way develop an economic usefulness that makes their services in high demand. Pace Institute prepares the individual student, whether man or woman, to assume and discharge business duties with ease and efficiency.

INVESTIGATE the following evening courses of study which are now available, among others, to ambitious men and women at Pace Institute and affiliated Institutions:

Accountancy (Professional C. P. A. Course)

—a course that gives technical preparation for C.P.A., American Institute, and Civil Service Examinations.

Shorter Accounting Course for Women

—a course that trains women in the basic principles of Accounting, including double-entry bookkeeping.

Bookkeeping Course

—a course that presents all aspects of bookkeeping in accordance with the best accounting practice.

Law for Business

—a course that presents the law as a science in its bearing upon the conditions of modern commerce.

Accounting Application of Tax Laws

—a course that gives a mastery of the various tax laws as applied to the business affairs of individuals and corporations.

English for Business

—a course that presents all aspects of English in a practical form.

Oral Expression

—a course that develops the ability of the individual to address others clearly and forcefully.

DESCRPTIVE bulletins and folders will be sent upon request. Ask especially for "Your Market Value," which contains a vocational message of wide appeal. Address or telephone

PACE & PACE

HUDSON TERMINAL

30 CHURCH STREET

NEW YORK